

Clusters

What Are Clusters?

Broad network of companies, suppliers, service firms, academic institutions and organizations in related industries that together bring a product or service to market

Specialized, interrelated industries within a region

Geographic concentrations of competitive firms in related industries that do business with each other and that share needs for common talent, technology and infrastructure.

An array of linked industries and other entities important to competition

"Incubators of Innovation" drawing on local networks that link technology, resources, information and talent.

Systemic relationships between firms and organizations in a general region based on common needs for nearby goods and knowledge.

Why Clusters?

Regional clusters of related industries (rather than individual companies or single industries) are the source of jobs, income and export growth.

Clustering gives businesses an advantage by providing access to more suppliers and customized support services, skilled and experienced labor pools and knowledge transfer through informal social exchanges (restaurants, bars, events where people meet and talk business).

Clusters enhance competitiveness.

Benefits to Clusters

Fostering communication, networking, and improvements among companies within and across clusters.

Creating a framework for companies to organize, work together and with government to meet common needs and promote common interests.

Providing a unified voice and a "seat at the table" when regional leaders discuss key issues.

Developing specialized labor pools within the work force.

Learning how to compete with rival companies. (Companies able to successfully compete at home will be better prepared for foreign rivals.)

Fostering new business entries into the market and spin-off companies.

Creating local knowledge, relationships and motivation that distant rivals/competitors cannot match.

Possible Activities within a Cluster

Each industry cluster is unique and will need to determine its own membership, course of action and goals. Possible cluster activities could include the following:

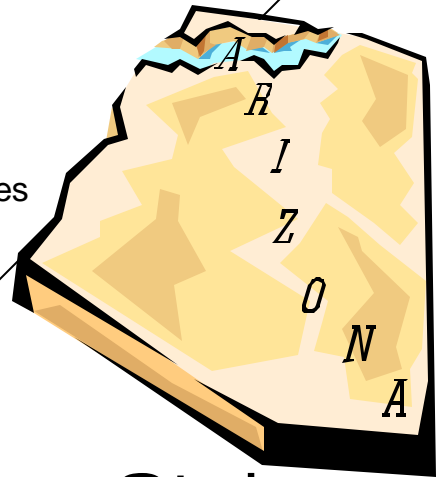
Creating more awareness of the cluster and its activities and improving communication amongst clustering firms. (cluster newsletter, e-links, directories, comprehensive guides)

Learning opportunities to show where/how to acquire resources and to build the vision of businesses and managers. (educational and training programs)

Marketing and promoting collective activities and services from within the cluster abroad or domestically. (joint trade missions, industry brochures, trade strategies)

Strengthening the buyer-supplier linkage and increasing the clusters purchasing power (joint equipment or material purchases, bulk discounts)

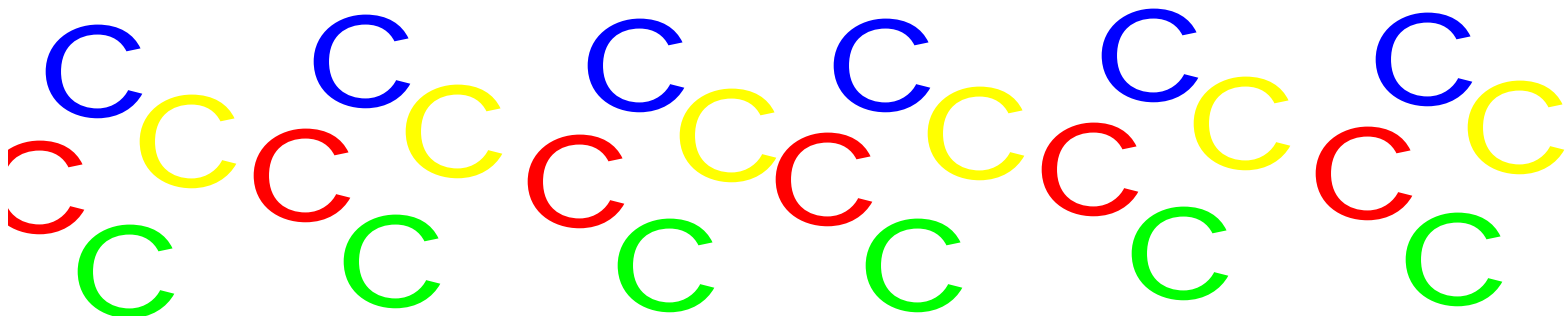
Conducting joint research and development projects that firms cannot afford or handle individually (grant applications, lab agreements)



Case Study State of Arizona Optics Cluster The Power of Collaboration

When Arizona began their cluster initiative 12 years ago, the state did not recognize the 145 related optical components as a “cluster.” The industry took the initiative and banded together, forming AOIA - the Arizona Optic Industry Association. Soon after, Tucson was dubbed “Optics Valley” on the cover of Business Week magazine. Through their collaborative efforts AOIA has:

- 1) Increased the visibility and presence of their cluster with state and local government entities
- 2) Developed a program to build long term export capacity
- 3) Established a large industry trade show, attracting hundreds of domestic and international firms
- 4) Focused on workforce development issues with the community colleges
- 5) Jointly bid and received several large contracts with NASA (that they could not even bid on individually)
- 6) Influenced the AZ legislature to designate a portion of a sales tax increase to the University of Arizona for Optics research.



6) Received a school-to-work grant, and also influenced the Arizona legislature to designate a portion of a sales tax increase to the University of Arizona for Optics research.

